

G. Transition Rates1. County Nursing Facilities

a. For the period January 1, 1996 through June 30, 1996, each county owned and operated nursing facility, as defined in § 1187.2 (relating to definitions) of the state regulations, receiving a county nursing facility rate as of June 30, 1995, will be provided with a transition rate. The transition rate for each county nursing facility for January 1, 1996 through June 30, 1996, will be the higher of the case-mix rate for each respective quarter or a December 31, 1995 facility blended rate. The blended rate is calculated by multiplying the skilled/heavy care rate on file as of December 31, 1995 by the number of skilled/heavy care days as reported in the county nursing facility's most recently accepted cost report; multiplying the intermediate care rate on file as of December 31, 1995 by the number of intermediate care days reported in the county nursing facility's most recently accepted cost report; summing these products and dividing that sum by the number of skilled care, heavy care and intermediate care days as reported in the county nursing facility's most recently accepted cost report. The blended rate will be trended forward three months from January 1, 1996 to March 31, 1996 by a factor equal to the HCFA Nursing Home without Capital Market Basket Index as published in the second quarter 1995 issue of the DRI McGraw-Hill publication "Health Care Costs."

b. For the period July 1, 1996 through June 30, 1997, transition rates for county nursing facilities will be the higher of the case-mix rate for each respective quarter or a facility blended rate calculated in the manner indicated in G.1.a. above, trended forward nine months from April 1, 1996 to December 31, 1996 by a factor equal to the HCFA Nursing Home without Capital Market Basket Index as published in the fourth quarter 1995 issue of the DRI McGraw-Hill publication "Health Care Costs".

c. For the period July 1, 1997 through June 30, 1998, transition rates for county nursing facilities will be the higher of the case-mix rate for each respective quarter or the facility transition rate identified in G.1.b. above, trended forward twelve months from January 1, 1997 to December 31, 1997 by a factor equal to the HCFA Nursing Home without Capital Market Basket Index as published in the fourth quarter 1996 issue of the DRI McGraw-Hill publication "Health Care Costs."

d. For the period July 1, 1998 through December 31, 1998, transition rates for county nursing facilities will be the higher of the case-mix rate for each respective quarter or the facility transition rate identified

in G.1.c. above, trended forward nine months from January 1, 1998 to September 30, 1998 by a factor equal to the HCFA Nursing Home without Capital Market Basket Index as published in the fourth quarter 1997 issue of the DRI McGraw-Hill publication "Health Care Costs."

e. For the period January 1, 1999 through June 30, 1999, transition rates for county nursing facilities will be the higher of the case-mix rate for each respective quarter or the facility transition rate identified in G.1.d. above, trended forward six months from January 1, 1999 to June 30, 1999 by a factor equal to the HCFA Nursing Home without Capital Market Basket Index as published in the fourth quarter 1998 issue of the DRI McGraw-Hill publication "Health Care Costs."

f. For the period July 1, 1999 through June 30, 2000, transition rates for county nursing facilities will be the higher of the case-mix rate for each respective quarter or the facility transition rate identified in G.1.e. above, trended forward nine months by a factor equal to the HCFA Nursing Home without Capital Market Basket Index as published in the fourth quarter 1998 issue of the DRI McGraw-Hill publication "Health Care Costs."

g. For the period July 1, 2000 through June 30, 2001, transition rates for county nursing facilities will be the higher of the case-mix rate for each respective quarter or the facility transition rate identified in G.1.f. above, trended forward twelve months by a factor equal to the HCFA Nursing Home without Capital Market Basket Index as published in the fourth quarter 1999 issue of the DRI McGraw-Hill publication "Health Care Costs."

h. For the period July 1, 2001 through June 30, 2002, transition rates for county nursing facilities will be the higher of the case-mix rate for each respective quarter or the facility transition rate identified in G.1.g. above, trended forward twelve months by a factor equal to the HCFA Nursing Home without Capital Market Basket Index as published in the fourth quarter 2000 issue of the DRI McGraw-Hill publication "Health Care Costs."

i. For the period July 1, 2002 through June 30, 2003, transition rates for county nursing facilities will be the higher of the case-mix rate for each respective quarter or the facility transition rate identified in G.1.h. above, trended forward twelve months by a factor equal to the HCFA Nursing Home without Capital Market Basket Index as published in the fourth quarter 2001 issue of the DRI McGraw-Hill publication "Health Care Costs."

2. General Nursing Facilities

a. For the period of January 1, 1996, through June 30, 1996, general nursing facilities other than hospital-based, special rehabilitation and county nursing facilities, will be provided a transition rate. The transition rate for each general nursing facility for each calendar quarter, during the time period January 1, 1996 through June 30, 1996 will be the higher of the facility case-mix rate for that quarter or a July 1, 1994 facility blended rate. The facility blended rate is a composite of the skilled care and intermediate care interim per diem rates in effect on July 1, 1994 weighted by the reported MA days associated with the respective acuity levels.

b. Enhanced Transition Payments.

(i) For the period July 1, 1996 through June 30, 1997, an enhanced transition payment (ETP), calculated in accordance with (iii) below, will be made to qualifying general nursing facilities, as defined in (ii) below, that agree in writing to accept the conditions specified in (v) below.

(ii) To qualify for an ETP, a nursing facility must meet all of the following requirements:

(A) As of July 1, 1996, the nursing facility must meet the definition of a general nursing facility, a hospital-based nursing facility, or a special rehabilitation facility as defined at 55 Pa. Code § 1187.2. County nursing facilities, as defined at 55 Pa. Code § 1187.2, are not eligible for ETPs.

(B) The nursing facility must have an MA-11 cost report covering a twelve-month period filed with and accepted by the Department as of March 31, 1996.

(C) The nursing facility must have an "alternate per diem rate" calculated in accordance with (iv) below that is greater than either its January 1, 1996 or its July 1, 1996 case-mix per diem rate, or both.

(iii) The ETP for each qualifying general nursing facility is determined as follows:

(A) An amount is determined by subtracting the January 1, 1996 case-mix per diem rate for each qualifying nursing facility from its alternate per diem rate as determined under b(iv) below. If the difference is greater than zero, the difference is multiplied by one-half of the annual number of Medical Assistance days of nursing facility care as reported on the nursing facility's most recently accepted unaudited MA-11 cost report on file with the Department as of March 31, 1996, to establish the nursing facility's gross differential for the period January to June 1996. If the difference is zero or less, the differential for that nursing facility is set at zero.

(B) An amount is determined by subtracting the July 1, 1996, case-mix per diem rate for each qualifying nursing facility from its alternate per diem rate as determined under b(iv) below. If the difference is greater than zero, the difference is multiplied by the annual number of Medical Assistance days of nursing facility care as reported on the nursing facility's most recently accepted unaudited MA-11 cost report on file with the Department as of March 31, 1996, to establish the nursing facility's gross differential for the period July 1996, to June 1997. If the difference is zero or less, the differential for that nursing facility is set at zero.

(C) The January to June, 1996 differential from (A) is added to the July to June, 1997 differential from (B) to establish the total gross differential for each eligible nursing facility.

(D) The total gross differential established in (C) is multiplied by a factor to establish the enhanced transition payment amount for each eligible nursing facility. The factor is determined by dividing \$71,739,000 by the sum of the gross differential amounts for all eligible nursing facilities as calculated under (C).

(E) The enhanced transition payment for a qualifying nursing facility as determined according to the method provided in (iii) will be reduced by any additional reimbursement that may have been authorized for that nursing facility as a result of the successful appeal or amicable settlement of a case-mix related issue.

(iv) For purposes of calculating the enhanced transition payment, an "alternate per diem rate" is determined for each nursing facility using the rate setting provisions of 55 Pa. Code Chapter 1187 applied as if the rate were to be effective July 1, 1996, but with the following exceptions:

(A) The cost report database used in establishing the net operating portions of the alternate per diem rates will be the single most current MA-11 cost report covering a twelve-month period for each nursing facility which was filed with an accepted by the Department on or before March 31, 1996.

(B) The inflation factor used in calculating the alternate per diem rate is the HCFA Nursing Home Without Capital Market Basket Index plus .75% per year.

(C) The provisions of 55 Pa. Code Chapter 1187, § 1187.33(b)(3) (relating to resident data reporting requirements) do not apply.

(D) The capital component of the alternate per diem rate is the capital component of each nursing facility's July 1, 1996, case-mix per diem rate.

(v) To receive an ETP, a qualifying nursing facility must agree in writing, in a form specified by the Department, to all of the following:

(A) It will withdraw existing appeals of case-mix related issues that had been filed for the period January 1, 1996 through June 30, 1997, except for those appeals set forth in (D) below.

(B) It will waive its right to file appeals relating to any case-mix issues for the period January 1, 1996 through June 30, 1997, except for those appeals set forth in (D) below.

(C) It will provide the Department with a separate accounting of the nursing facility's uses of the ETP payment.

(D) The following appeal rights are preserved and may be pursued by any nursing facility including those qualifying for enhanced transition payments:

(1) Appeals related to data input or mathematical errors made by the Department in setting individual nursing facility payment rates.

(2) Appeals related to the payment system in place prior to January 1, 1996.

(3) Appeals related to 180 day billing issues.

(4) Appeals related to the medical necessity for nursing facility care, and Utilization Management Review Team adverse action is regarding acuity level determinations or case-mix index determinations.

(5) Appeals related to the case-mix capital payment for movable equipment, except those appeals related to the moratorium of new bed construction, which must be withdrawn pursuant to (v)(A) above. If, however, a nursing facility pursues an appeal on movable equipment not related to the moratorium on new bed construction and ultimately, prevails in such appeal, any amount awarded through the appeal will be reduced by any enhanced transition payment amount received. If the enhanced transition payment is greater than the amount awarded through such successful appeal, no additional payment will be made by the Commonwealth for the appeal.

(6) Appeals related to future changes in regulations that apply to FY 1996-97, whether such changes occur during FY 1996-97 or occur after FY 1996-97, but which retroactively affect that fiscal year.

3. County and General Nursing Facilities

a. An MDS 2.0 transition payment will be made available to county and general nursing facilities, including hospital-based and special rehabilitation nursing facilities for the fiscal period July 1, 1998 through June 30, 1999. MDS 2.0 transition payments will be calculated and paid in accordance with paragraphs b through d below.

b. A quarterly base rate will be calculated for each facility for every fiscal quarter. The quarterly base rate will equal the facility's April 1998 case-mix rate inflated by the HCFA Nursing Home without Capital Market Basket Index according to the number of quarters between April 1998 and the rate setting quarter.

c. For the fiscal period July 1, 1998 through June 30, 1999, a facility that submits assessments required to set rates will receive payment as follows:

(i) The facility will receive a payment that is equal to the sum of the following amounts:

(A) The positive difference between the facility's July 1, 1998 quarterly base rate and its July 1, 1998 quarterly case-mix rate multiplied by the number of Medical Assistance days of care for the quarter that were paid through the Medical Assistance Management Information System (MAMIS) plus one-third of the positive difference between the facility's quarterly base rate and its quarterly case-mix rate multiplied by the number of Medical Assistance hospital days for the quarter that were paid through MAMIS.

(B) The positive difference between the facility's October 1, 1998 quarterly base rate and its October 1, 1998 quarterly case-mix rate multiplied by the number of Medical Assistance days of care for the quarter that were paid through the MAMIS plus one-third of the positive difference between the facility's quarterly base rate and its quarterly case-mix rate multiplied by the number of Medical Assistance hospital days for the quarter that were paid through MAMIS.

(C) The positive difference between the facility's January 1, 1999 quarterly base rate and its January 1, 1999 quarterly case-mix rate multiplied by the number of Medical Assistance days of care for the quarter that were paid through the MAMIS plus one-third of the positive difference between the facility's quarterly base rate and its quarterly case-mix rate multiplied by the number of Medical Assistance hospital days for the quarter that were paid through MAMIS.

(D) The positive difference between the facility's April 1, 1999 quarterly base rate and its April 1, 1999 quarterly case-mix rate multiplied by the number of Medical Assistance days of care for the quarter that were paid through the MAMIS plus one-third of the positive difference between the facility's base rate and its quarterly case-mix rate multiplied by the number of Medical Assistance hospital days for the quarter that were paid through MAMIS.

d. Payment for Medical Assistance days of care and Medical Assistance hospital days remains subject to all applicable billing instructions and payment requirements. The Department will not make MDS 2.0 transition payments for resident days of care or hospital days that are rejected for payment through MAMIS.

H. Disproportionate Share

1. A disproportionate share incentive payment will be made based on MA paid days of care times the per diem incentive to facilities meeting the following criteria for a 12-month facility cost reporting period.

a. The nursing facility shall have an annual overall occupancy rate of ~~at~~ least 90% of the total available bed days.

b. The nursing facility shall have an MA occupancy rate of at least 80%. The MA occupancy rate is calculated by dividing the MA days of care ~~paid~~ by the Department by the total actual days of care.

2. The disproportionate share incentive payments will be based on the following for year one of implementation:

	<u>Overall Occupancy</u>	<u>MA Occupancy (y)</u>	<u>Per Diem Incentive</u>
Group A	90%	$>90\% \ y$	\$2.50
Group B	90%	$88\% \leq y < 90\%$	\$1.70
Group C	90%	$86\% \leq y < 88\%$	\$1.00
Group D	90%	$84\% \leq y < 86\%$	\$0.60
Group E	90%	$82\% \leq y < 84\%$	\$0.30
Group F	90%	$80\% \leq y < 82\%$	\$0.20

3. For each year subsequent to year one of implementation, disproportionate share incentive payments as described in (2) above will be inflated forward using the most current available Health Care Financing Administration Nursing Home without Capital Market Basket Index, total index level, to the end point of the rate setting year for which the payments are made.

4. These payments will be made annually within 120 days after the submission of an acceptable cost report provided that in no case will payment be made before 210 days of the close of the nursing facility fiscal year.

5. For year one of implementation only, facilities with a June 30 cost report year end will receive a disproportionate share payment based on the January 1 through June 30 time period.

1. County Nursing Facility Supplementation Payments

For state fiscal periods commencing on or after July 1, 1996, and subject to the availability of sufficient county, state and federal funds based upon an executed intergovernmental transfer agreement and subsequent transfer of funds, the Department will pay supplementation payments to county nursing facilities in which MA-funded resident days account for at least 80% of the nursing facility's total resident days and the number of certified MA beds is greater than 270 beds. The Department will use the following methodology to calculate these payments:

1. The Department will calculate the maximum additional payments that it can make to participating nursing facilities under its state plan in conformity with 42 CFR 447.272(a).